

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Strickland Analyst: Nicole Kwon Bill Number: AB 2077  
 Related Bills: See Prior Analysis Telephone: 845-7800 Amended Date: March 21, 2006  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Private School Tuition Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 16, 2006, STILL APPLIES.

OTHER – See comments below.

**SUMMARY**

This bill would allow a credit to taxpayers for the cost paid or incurred for tuition at any private Kindergarten to 12th grade school located in California.

**SUMMARY OF AMENDMENTS**

The March 21, 2006, amendments set a credit limit of \$5,000 for each dependent of the taxpayer for the taxable year. A new revenue estimate is included below. The remainder of the department's analysis of the bill as introduced on February 16, 2006, still applies.

**POSITION**

Pending.

Board Position:

\_\_\_\_\_ S \_\_\_\_\_ NA \_\_\_\_\_ NP  
 \_\_\_\_\_ SA \_\_\_\_\_ O \_\_\_\_\_ NAR  
 \_\_\_\_\_ N \_\_\_\_\_ OUA \_\_\_\_\_ X \_\_\_\_\_ PENDING

Legislative Director

Date

Brian Putler

04/04/06

## ECONOMIC IMPACT

### Revenue Estimate

Estimated Revenue Impact of AB 2077 Effective On Or After January 1, 2007 Enactment Assumed After June 30, 2006 (\$ Millions)			
	2007-08	2008-09	2009-10
Tuition Credit Loss	-\$740	-\$785	-\$810

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

### Revenue Discussion

Revenue losses will depend on the amount of qualified credit claimed in any given year applied against available tax liabilities.

According to the Department of Education, the number of students enrolled in California private schools in grades Kindergarten to 12 (with six or more students) was 591,000 for school year 2004-05. It was assumed that home schools would be excluded from this credit. The 591,000 figure was grown by the annual population growth rate of 2% to 615,000 in school year 2006-07. In addition, for school year 2007-08, 5% growth was added to account for children being moved from the public school system into private schools (660,000 students), and 10% growth in the next two fiscal years (704,000 in 2008-09 and 718,000 in 2009-10).

Because the average annual cost of California private school tuition is about \$8,000 for the 2005-06 school year, it is assumed that most taxpayers will use the allowed maximum amount of \$5,000. Taking into account for some taxpayers using a less amount of \$4,500 was multiplied by the number of students (\$4,500 x 660,000 students) for an impact of \$2.96 billion. This impact was converted to calendar year 2007 by taking half of the 2006-07 school year (\$2.767 billion) and half of the 2007-08 school year (\$2.964 billion) for a total impact of \$2.865 billion for 2007 calendar year. California fiscal years were calculated using half of calendar year 2007 (\$2.865 billion) and half of calendar year 2008 (\$3.065 billion), resulting in a \$2.96 billion impact in 2007-08. Assuming 25% of the credit amount could be applied to tax liabilities (\$2.96 billion x 25%) results in a revenue loss of \$740 million in 2007-08.

## LEGISLATIVE STAFF CONTACT

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